

Dayton Daily News

[Editorial: Payday lenders think they can ignore you](#)

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Ohio should be done with payday-lending scams.

Two years ago, lawmakers passed a law capping short-term loan rates at an annual percentage rate of 28 percent.

In November of that year, voters were asked whether they wanted to keep the new law. An overwhelming 64 percent said yes.

End of discussion, right? Wrong.

Within days, the payday people were back, setting up under different laws that were never intended to regulate their brand of lending. They zeroed in on loopholes.

One of them allows payday lenders to call themselves a “credit service organization,” which, in theory, is an outfit that helps people figure out how to get out of debt.

The payday lenders’ recommendations? Take out a ridiculously high-cost payday loan. How cynical is that?

The decision in Ohio to regulate this industry is not a fight between liberals and conservatives. Ohio’s law was passed by a Republican-controlled legislature that was decidedly business-friendly. After hearing both critics of payday lenders and industry representatives, Republicans concluded that the industry is peddling a destructive product.

Unsophisticated, low-income borrowers are coached into borrowing one loan after another, not grasping that every time they sign their name, they are paying more high-cost fees. Customers living paycheck to paycheck aren’t just delaying paying off debt; they’re spending money they don’t have.

Consumers have an obligation to know what they’re getting themselves into. But government also has an obligation to step in when it sees desperate people getting hosed. After all, if customers end up in the poor house, they’ll then be turning to the government for help.

For more than a year, critics of the payday industry have asked lawmakers to enforce the will of the people, to fight back against people who have mocked legislators’ decision to regulate them.

With just a few days left in the legislative session before the summer break, there’s a push on to pass a proposal that would do three things:

— Prohibit payday lenders from charging fees to cash the checks they sell to their customers. (Since they’re writing them, they know the money is there and that the check is not going to bounce; this is just another way to get around interest caps.)

— Limit origination fees and credit checks for loans of less than \$1,000 to once every 90 days. (Currently, some lenders charge these fees as often as every two weeks, when borrowers pay one loan back and need another because there’s nothing left of their paycheck once they’ve paid back the previous loan.)

— Prohibit “brokering” of loans at the 28 percent cap, and then charging a fee for the service that can raise the real costs of the loan amount to as much as an annualized interest rate of 670 percent.

There’s no question that there are very many people who, now and again, need cash quickly to avoid costly overdraft charges, credit card late fees or cut-offs of their utilities. There should be a place for these people to turn in an emergency.

But these people are not really being helped if the assistance they’re getting locks them into loans that will eventually bring financial collapse.

When that happens, it’s the borrowers’ legitimate lenders and creditors who will get stiffed. The payday people will have been getting their fees and interest at every step along the way.

The Ohio House could — and should — vote on consumer protections as early as next week. Dayton’s delegation — state Reps. Terry Blair, Peggy Lehner, Clayton Luckie, Seth Morgan, Jarrod Martin and Richard Adams — needs to do what voters clearly thought they already did: rein in the payday people.